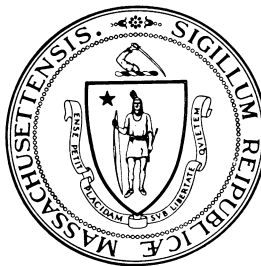


Massachusetts Division of Health Care Finance and Policy

Uncompensated Care Pool PFY00 Annual Report

August 2001

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Commonwealth of Massachusetts

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Executive Office of Health and Human Services

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A Word About the Division

Satisfying the Need for Health Care Information

The effectiveness of the health care system depends in part upon the availability of applicable information. In order for this system to function properly, purchasers must have accurate and useful information about quality, pricing, supply and available alternatives. Providers need information on the productivity and efficiency of their business operations to develop strategies to improve the effectiveness of the services they deliver. State policy makers need to be advised of the present health care environment, as they consider where policy investigation or action may be appropriate.

As part of its health care information program, the Division of Health Care Finance and Policy publishes reports to meet this need for information. These reports focus

The Division of Health Care Finance and Policy collects, analyzes and disseminates information with the goal of improving the quality, efficiency and effectiveness of the health care delivery system in Massachusetts. In addition, the Division administers the Uncompensated Care Pool, a fund that reimburses Massachusetts acute care hospitals and community health centers for services provided to uninsured and underinsured individuals.

Mission

The Division's mission is to contribute to the development of policies that improve the delivery and financing of health care in Massachusetts by:

- collecting and analyzing data from throughout the health care delivery system;
- disseminating accurate information and analysis on a timely basis;
- facilitating the use of information among health care purchasers, providers, consumers and policy makers; and
- monitoring free care in the Commonwealth through thoughtful administration of the Uncompensated Care Pool.

on various health care policy and market issues.

Organizational Structure

The Division of Health Care Finance and Policy is an administrative agency within the Executive Office of Health and Human Services. The Commissioner is appointed by the Governor.

The organizational structure is comprised of several distinct groups:

- Health Systems Measurement and Improvement Group
- Health Data Policy Group
- Pricing Policy and Financial Analysis Group
- Audit Compliance and Evaluation Group

Each group is responsible for a different aspect of the agency mission.

Health Systems Measurement and Improvement Group

The Health Systems Measurement and Improvement Group (HSMIG) works to improve the delivery of health care in Massachusetts by evaluating the changing health care system and providing useful analyses and information to policy makers, health care providers, and purchasers. The group also conducts health services research and policy analysis for a variety of different audiences to improve the delivery and value of care. In recent years, the Group has analyzed and reported on several areas of interest, including preventable hospitalizations, hospital readmissions, health care reform in Massachusetts, trends in HMO premiums and insurance status. The group manages demonstration projects funded through the Uncompensated Care Pool whose goal is to

improve health services to uninsured and underinsured persons while reducing the demand on the Pool to finance free care. Finally, the group is charged with providing information to consumers on managed care organizations in Massachusetts.

Health Data Policy Group

The Health Data Policy Group is (HDPG) charged with the development and appropriate use of Division data bases and is responsible for evaluating health care data management issues across organizations and providing information and reports to providers, plans, researchers and the government.

HDPG is responsible for the collection and release of hospital discharge data and observation stay data. The group is also responsible for managing the release of accurate hospital and nursing home cost and financial data. HDPG, as partners with other organizations, uses these data for projects that involve benchmarking. HDPG develops products that meet anticipated information needs including industry trends, data products and custom reports. As well, HDPG, is responsible for developing and implementing confidentiality and privacy protocols for the use of data. The group conducts research and evaluates new health data policy issues such as national standards for electronic data interchange and privacy legislation.

Pricing Policy and Financial Analysis Group

The Pricing Policy and Financial Analysis Group develops health care pricing policies, methods and rates which support the procurement of high quality services for public beneficiaries in the most cost-effective manner possible. This group also provides information, analysis and recommendations to policy makers to support their health care financing decisions, and performs specialized analyses of innovative health care financing and purchasing methods.

***Audit Compliance
and Evaluation Group***

The Audit Compliance and Evaluation (ACE) Group examines financial data reported to the Division of Health Care Finance and Policy. The ACE Group performs audit, review, screening and quality control functions that provide the building blocks for the Division's work in developing pricing policies and measurement tools to improve the health care system in Massachusetts.

The Division of Health Care Finance and Policy's support units include Administration, the Information Technology Group, the Office of the General Counsel and the Office of Communications.

Administration

The Office of the Executive Secretary oversees the agency's budget, regulatory process and personnel.

Information Technology Group

The Information Technology Group is responsible for managing the Division's computer network and data bases.

Office of the General Counsel

The Office of the General Counsel litigates administrative appeals filed by providers, analyzes proposed legislation relative to the health care delivery system and pro-

vides legal advice to the Commissioner and staff concerning the development and application of regulations, policy positions and pricing information.

Office of Communications

The Office of Communications performs a wide array of services for the Division. These responsibilities include:

- handling inquiries from the media and other outside parties;
- editing, designing and producing the Division's print publications;
- developing and maintaining the agency's Internet web site;
- editing, designing and producing presentation materials;
- representing the agency at health care conferences; and
- serving as the point of contact for many general inquiries.

This organizational structure reflects the focus of the agency mission and supports the Division's efforts to provide useful information to purchasers, providers, and policy makers.

Section 1: Introduction

Chapter 47 of the Acts of 1997 requires the Division of Health Care Finance and Policy to file annual reports on the status of the Uncompensated Care Pool (the Pool) with the Executive Office of Health and Human Services and the Joint Committee on Health Care.

This report contains complete information on PFY00 (Pool Fiscal Year 2000) and some information, including budget projections, on PFY01. It contains a significant amount of technical information about the

Pool, including an update on the status of the Pool, the sources of funding for uncompensated care in Massachusetts, and the uses of Pool funds. It also contains detailed information on Pool liability to hospitals, information on payments to community health centers, Pool surplus/shortfall analyses, and information on final settlements with hospitals. Finally, this report contains information on current Pool management initiatives.

Calculations contained in this report are based upon the most recently available data from the Division of Health Care Finance and Policy. The Division uses a Pool Fiscal Year (PFY) for its calculations, which corresponds to hospitals' fiscal year (October 1 to September 30). This report contains the most up to date figures available for PFY00. See Section 6 for a discussion of Uncompensated Care Pool expense projections, and Section 7 for a discussion of Pool settlements.

Section 2:

Uncompensated Care Pool

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and community health centers to low-income uninsured and underinsured people. Patients can apply for free care at any acute care hospital or community health center.

The Massachusetts legislature established the Uncompensated Care Pool in 1985 as a financing mechanism to distribute the burden of bad debt and providing free care (together known as “uncompensated care”) more equitably among acute care hospitals. The creation of the Pool was

intended to help pay for the costs of providing care to the uninsured, and also to eliminate financial disincentives that a hospital might have to providing such care. Since its creation, the Pool has evolved into a key component of the Commonwealth’s health care safety net, helping to ensure access to needed health care services for people with no other source of health care coverage.

The Uncompensated Care Pool is only one part of the Commonwealth’s network of health care initiatives for low-income uninsured and underinsured individuals. The Division has been careful to manage the Pool to best serve the needs of the people who access health care through the Pool. Our goals are to improve the efficiency and effectiveness of the Pool, while at the same time improving the quality of care and reducing costs. For more information about the Uncompensated Care Pool, please contact the Division of Health Care Finance and Policy at 617-988-3100, or visit our web site at www.state.ma.us/dhcfp.

Section 3:

Sources of Funds

Table 1 (below) summarizes the sources and amounts of funding available to the Pool in Pool Fiscal Years 2000 and 2001. Detailed information about these funding sources follows.

Hospitals

The Uncompensated Care Pool is primarily funded from three sources: an assessment on acute hospitals' private sector charges; a surcharge on payments made to hospitals and ambulatory surgical centers by payers, including HMOs, insurers, and individuals; and an annual appropriation from the Commonwealth's General Fund. Smaller amounts from other sources may also be available in some years.

The total amount paid by all hospitals into the Pool is established by the legislature. Each individual hospital's assessment is calculated by multiplying the hospital's private sector charges by the uniform allowance. The uniform allowance is calculated by dividing the total assessment, \$215 million, by the total private sector charges from all hospitals statewide, and is currently approximately 2.681%. (See Table 4 on pages 14-17 for each hospital's annual liability to the Pool.)

Table 1: Uncompensated Care Funding

	PFY00	PFY01
Statutory Funding		
Hospital Assessment	\$215,000,000	\$215,000,000
Surcharge	\$100,000,000	\$100,000,000
General Fund	\$30,000,000	\$30,000,000
Total Uncompensated Care Pool Funding	\$345,000,000	\$345,000,000
Other Funds		
Intergovernmental Funds Transfer (IGT)	\$70,000,000	\$70,000,000
Compliance Liability (S.56) Revenues	\$15,000,000	\$1,100,000
PFY98 Surplus	\$9,000,000	\$2,000,000
Transfer from Medical Security Trust		\$10,000,000
Total Funds Available for Uncompensated Care	\$439,000,000	\$428,100,000

Surcharge

The total amount to be collected via the surcharge is also established by the legislature. The Division of Health Care Finance and Policy sets the surcharge percentage at a level to produce \$100 million. If the Division collects more than \$100 million in one year, the Division reduces the surcharge percentage in subsequent years. The surcharge percentage was 3.0% for PFY00, is 1.8% for PFY01, and will be 2.15% in PFY02.

In order to develop an effective and equitable surcharge collection system, the Division established a surcharge workgroup to solicit input and advice from interested parties. This group—comprised of HMOs, commercial insurers, the Massachusetts Hospital Association, business and labor representatives, and providers—continues to offer its assistance as the Division looks to make process improvements to the surcharge payment system.

Surcharge Collections

Over 1000 registered surcharge payers are currently making and reporting monthly payments to the Uncompensated Care Pool. Table 2 (below) lists the top surcharge payers and their contributions. Both providers and payers file reports with the Division of Health Care Finance and Policy. These reports are analyzed to ensure that surcharge payers are paying appropriate surcharge amounts. For example, hospitals and ambulatory surgical centers report possibly unregistered payers so that the Division may initiate appropriate follow-up.

Currently, the Division is developing more automated ways for providers and payers to comply with reporting requirements, which will also assist the Division in its analysis and monitoring responsibilities. The cooperation of payers and providers on all levels has contributed to the Division's successful ongoing administration of the surcharge.

Table 2: Surcharge Collections

Surcharge Payer	Collections PFY98*	% to Total PFY98*	Collections PFY99	% to Total PFY99	Collections PFY00	% to Total PFY00
BCBSMA	\$ 34,013,613	33%	\$ 36,417,682	28%	\$ 35,039,318	31%
HCHP	17,712,478	17%	21,021,419	16%	16,719,990	15%
Tufts HMO	7,604,104	7%	12,690,516	10%	10,526,487	9%
Unicare Life & Health	4,860,640	5%	4,824,372	4%	3,949,169	4%
Aetna	3,606,572	3%	4,241,184	3%	4,262,566	4%
Fallon Comm. Health	3,091,057	3%	3,729,836	3%	2,800,170	3%
Total Health Plan	2,858,512	3%	5,425,969	4%	4,593,718	4%
Connecticut General Life	2,665,391	3%	2,963,386	2%	3,534,637	3%
United Health Care	2,546,102	2%	5,185,364	4%	3,990,077	4%
Community Health Plan	1,800,501	2%	2,155,438	2%	1,529,439	1%
All other	22,324,679	22%	29,707,856	23%	24,843,539	22%
Total	\$103,083,649	100%	\$128,363,022	100%	\$111,789,110	100%

*Partial year - startup

General Fund

The legislature also appropriates \$30 million annually to the Pool. This amount is a portion of the federal matching funds (FFP) generated by the Pool.

Other Funding Sources

In addition to these sources, the Uncompensated Care Pool also has access to several other, smaller sources of funding. The Division of Health Care Finance and Policy transferred \$15 million of compliance liability funds to the PFY00 Pool, and \$1.1 million of compliance liability funds to the PFY01 Pool.

These funds originate from payments made to close out the hospital regulatory system in effect from FY82-FY91. In that system, hospitals that overcharged in one year were directed to lower their charges in a subsequent year. When the regulated system ended, hospitals that overcharged in the final year were directed by St.1991, c.495, §56 to pay a portion of the amount overcharged to the Pool. After this \$1.1 million transfer, there will be no funds remaining in the compliance liability trust fund.

In addition, \$9 million in surplus funds from the PFY98 Pool was applied to PFY00, and \$2 million in surplus funds from the PFY98 Pool was applied to PFY01. M.G.L. c.118G, §18(n) directs the division to “apply such surplus to allowable free care payments for any succeeding fiscal year in which there is a shortfall of pool revenue.”

**Additional Funding
for Uncompensated Care**

Since state Fiscal Year 1998, the Commonwealth has been able to access an additional \$70 million in federal funds annually through an intergovernmental funds transfer (IGT). These funds, which are appropriated each year in the state budget, are paid by the Division of Medical Assistance to Boston Medical Center (\$51.8 million) and Cambridge Health Alliance (\$18.2 million) at the beginning of the state fiscal year. Free care provided by these two hospitals is funded first from the IGT and the remainder is paid by the Pool. Finally, the FY01 state budget transferred \$25 million from the Medical Security Trust Fund to the Pool to eliminate the PFY00 shortfall and offset the PFY01 shortfall (St. 2000, c.159, s.351).

Section 4: Uses of Funds

Figure 1 (below) summarizes the distribution of funds for uncompensated care to hospitals for inpatient services, to hospitals for outpatient services, to community health centers, and to the demonstration projects. It also demonstrates the shift in payments for inpatient and outpatient care, as hospitals have shifted to providing more care in outpatient settings. Tables 3, 4, 5, and 6 provide additional

detail on payments made from the Uncompensated Care Pool.

Interim Uncompensated Care Charges for PFY00

Hospitals report to the Pool on the distribution of uncompensated care among the allowable categories: full free care, partial free care, medical hardship, and emer-

Figure 1: Uncompensated Care Payments

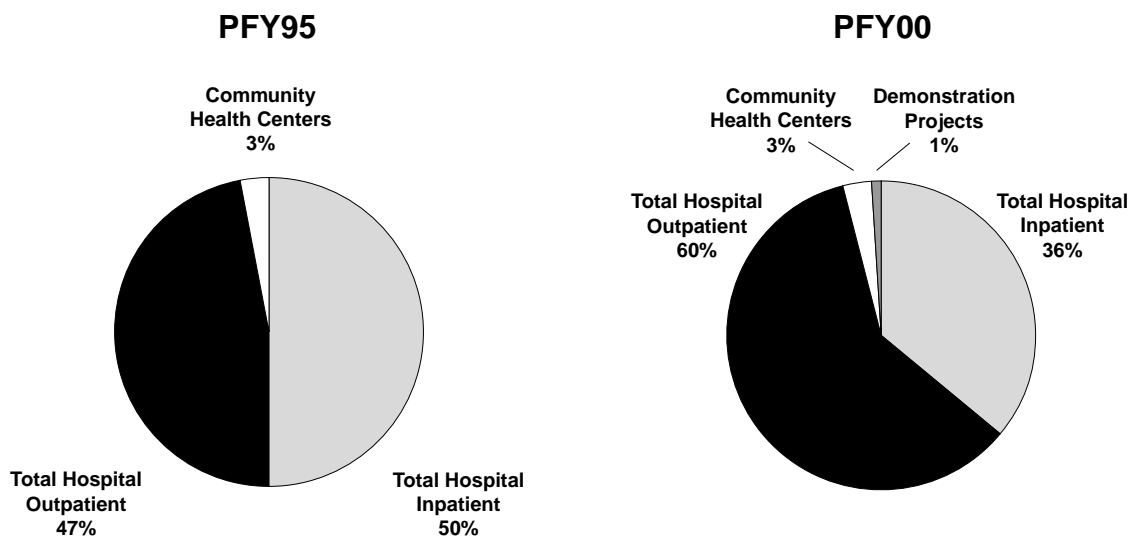


Table 3: Uncompensated Care Charges for PFY00

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Anna Jaques Hospital	\$ 122,667	\$ 1,150,967	\$ 1,273,634	\$ 436,595
Athol Memorial Hospital	(77)	85,919	85,842	106,209
Atlanticare Medical Center	181,403	826,373	1,007,776	2,094,863
Baystate Medical Center	1,794,408	8,459,421	10,253,829	2,166,632
Berkshire/Hillcrest	470,396	2,282,490	2,752,886	1,162,126
Beth Israel Deaconess Med Ctr	1,878,352	9,226,806	11,105,158	2,630,048
Boston Medical Center	3,488,789	47,056,464	50,545,253	12,199,710
Brigham & Women's Hospital	3,407,273	14,586,047	17,993,320	2,111,080
Brockton Hospital	884,595	3,154,833	4,039,428	3,703,014
Cambridge/Somerville Hospital	3,006,816	33,679,885	36,686,701	3,386,782
Cape Cod Hospital	1,055,735	1,825,199	2,880,934	1,470,045
Carney Hospital	1,167,438	1,607,400	2,774,838	1,701,874
Children's Hospital	1,612,359	1,868,677	3,481,036	433,165
Clinton Hospital	47,658	859,343	907,001	175,124
Cooley Dickinson Hospital	260,804	919,380	1,180,184	496,441
Dana-Farber Cancer Institute	-	280,400	280,400	-
Deaconess Glover Hospital	(300)	88,115	87,815	44,513
Emerson Hospital	427,174	820,896	1,248,070	358,677
Fairview Hospital	15,635	310,215	325,850	246,478
Falmouth Hospital	226,615	474,510	701,125	447,801
Faulkner Hospital	438,696	964,753	1,403,449	723,251
Franklin Medical Center	224,996	1,021,473	1,246,469	424,359
Good Samaritan Medical Center	178,795	1,125,706	1,304,501	1,172,087
Hahnemann Hospital, Inc.	-	248,379	248,379	-
Hale Hospital	297,420	312,957	610,377	1,001,884
Hallmark Health	786,944	2,422,059	3,209,003	3,467,436
Harrington Memorial Hospital	167,370	546,038	713,408	432,127
HealthAlliance	466,896	593,595	1,060,491	935,193
Henry Heywood Memorial Hosp.	166,469	446,274	612,743	470,728
Holy Family Hospital	434,954	1,541,255	1,976,209	1,153,400
Holyoke Hospital	202,260	1,062,111	1,264,371	945,400
Hubbard Regional Hospital	62,560	77,096	139,656	665,432
JB Thomas Hosp d/b/a THC Boston	-	-	-	-
Jordan Hospital	328,043	653,902	981,945	287,117
Lahey Clinic Hospital, Inc.	-	1,392,470	1,392,470	203,179
Lawrence General Hospital	687,501	1,552,096	2,239,597	2,914,215
Lowell General Hospital	225,314	1,249,985	1,475,299	231,060
Marlborough Hospital	338,941	813,518	1,152,459	1,038,753
Mary Lane Hospital	49,731	277,907	327,638	348,770
Mass. Eye & Ear Infirmary	60,055	106,761	166,816	157,441

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
\$ 415,884	\$ 852,479	\$ 559,262	\$ 1,566,851	\$ 2,126,113
322,091	428,300	106,132	408,010	514,142
1,014,854	3,109,717	2,276,266	1,841,227	4,117,493
3,662,095	5,828,727	3,961,040	12,121,516	16,082,556
1,972,014	3,134,140	1,632,522	4,254,504	5,887,026
17,430,693	20,060,741	4,508,400	26,657,499	31,165,899
106,904,654	119,104,364	15,688,499	153,961,118	169,649,617
12,016,065	14,127,145	5,518,353	26,602,112	32,120,465
5,209,119	8,912,133	4,587,609	8,363,952	12,951,561
61,703,573	65,090,355	6,393,598	95,383,458	101,777,056
1,549,166	3,019,211	2,525,780	3,374,365	5,900,145
898,678	2,600,552	2,869,312	2,506,078	5,375,390
1,912,148	2,345,313	2,045,524	3,780,825	5,826,349
280,160	455,284	222,782	1,139,503	1,362,285
892,544	1,388,985	757,245	1,811,924	2,569,169
1,080,692	1,080,692	-	1,361,092	1,361,092
153,828	198,341	44,213	241,943	286,156
902,519	1,261,196	785,851	1,723,415	2,509,266
407,614	654,092	262,113	717,829	979,942
829,023	1,276,824	674,416	1,303,533	1,977,949
915,754	1,639,005	1,161,947	1,880,507	3,042,454
1,621,181	2,045,540	649,355	2,642,654	3,292,009
1,835,858	3,007,945	1,350,882	2,961,564	4,312,446
-	-	-	248,379	248,379
209,195	1,211,079	1,299,304	522,152	1,821,456
1,665,071	5,132,507	4,254,380	4,087,130	8,341,510
660,849	1,092,976	599,497	1,206,887	1,806,384
788,178	1,723,371	1,402,089	1,381,773	2,783,862
521,248	991,976	637,197	967,522	1,604,719
869,964	2,023,364	1,588,354	2,411,219	3,999,573
874,560	1,819,960	1,147,660	1,936,671	3,084,331
336,357	1,001,789	727,992	413,453	1,141,445
-	-	-	-	-
1,220,649	1,507,766	615,160	1,874,551	2,489,711
679,082	882,261	203,179	2,071,552	2,274,731
2,154,226	5,068,441	3,601,716	3,706,322	7,308,038
982,453	1,213,513	456,374	2,232,438	2,688,812
881,436	1,920,189	1,377,694	1,694,954	3,072,648
569,234	918,004	398,501	847,141	1,245,642
794,952	952,393	217,496	901,713	1,119,209

Table 3: Uncompensated Care Charges for PFY00

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Mass. General Hospital Corp.	\$ 3,243,862	\$ 21,277,185	\$ 24,521,047	\$ 4,195,624
Mercy Hospital	971,901	2,848,448	3,820,349	1,540,210
MetroWest Medical Center, Inc.	1,193,072	2,875,977	4,069,049	1,514,675
Milford-Whitinsville Hospital	89,327	776,807	866,134	1,210,934
Milton Hospital	95,966	221,644	317,610	373,857
Morton Hospital	124,037	742,001	866,038	1,358,057
Mount Auburn Hospital	700,064	1,791,367	2,491,431	586,731
Nantucket Cottage Hospital	127,884	157,931	285,815	190,761
Nashoba Community Hospital	100,625	113,042	213,667	575,011
New England Baptist Hospital	-	103,886	103,886	541
New England Medical Center	1,162,553	6,245,439	7,407,992	402,353
Newton-Wellesley Hospital	2,918	997,391	1,000,309	312,090
Noble Hospital	115,018	395,983	511,001	231,914
North Adams Regional Hosp.	91,966	131,528	223,494	249,100
Northeast Hospital Corporation	-	2,064,404	2,064,404	2,010,183
Norwood Hospital	449,674	884,704	1,334,378	853,923
Quincy Hospital	565,284	1,160,254	1,725,538	915,951
Saint Vincent Hospital	829,907	3,697,815	4,527,722	3,831,828
Saints Memorial	193,585	1,370,978	1,564,563	818,500
Salem Hospital	231,097	2,591,087	2,822,184	863,103
South Shore Hospital, Inc.	364,783	960,169	1,324,952	2,034,536
Southcoast	400,445	4,168,044	4,568,489	3,117,376
St. Anne's Hospital	121,101	645,155	766,256	1,311,499
St. Elizabeth's Hospital	498,874	2,517,375	3,016,249	345,633
Sturdy Memorial Hospital	114,796	394,818	509,614	452,445
UMass Memorial	1,712,143	12,234,447	13,946,590	4,756,624
Waltham/Weston Hospital	425,274	862,985	1,288,259	1,057,773
Winchester Hospital	193,476	457,245	650,721	740,074
Wing Memorial Hospital	55,178	323,312	378,490	256,871
Totals	39,339,495	218,983,096	258,322,591	88,051,186

Notes:

1. Free care data are based on uncompensated care claims data reported by the hospitals from October 1999 through September 2000.
2. JB Thomas reported no Free Care Charges for Fiscal Year 2000 (October 1999 through September 2000).
3. Bad debt is net of recoveries; therefore some facilities have negative bad debt.
4. All data are unaudited and subject to change with future updates and calculations.

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
\$ 21,743,686	\$ 25,939,310	\$ 7,439,486	\$ 43,020,871	\$ 50,460,357
781,311	2,321,521	2,512,111	3,629,759	6,141,870
3,633,452	5,148,127	2,707,747	6,509,429	9,217,176
960,549	2,171,483	1,300,261	1,737,356	3,037,617
126,788	500,645	469,823	348,432	818,255
1,899,558	3,257,615	1,482,094	2,641,559	4,123,653
1,445,756	2,032,487	1,286,795	3,237,123	4,523,918
313,449	504,210	318,645	471,380	790,025
194,512	769,523	675,636	307,554	983,190
130,276	130,817	541	234,162	234,703
7,485,500	7,887,853	1,564,906	13,730,939	15,295,845
409,292	721,382	315,008	1,406,683	1,721,691
588,550	820,464	346,932	984,533	1,331,465
362,519	611,619	341,066	494,047	835,113
3,858,508	5,868,691	2,010,183	5,922,912	7,933,095
631,262	1,485,185	1,303,597	1,515,966	2,819,563
1,147,404	2,063,355	1,481,235	2,307,658	3,788,893
2,111,654	5,943,482	4,661,735	5,809,469	10,471,204
1,964,057	2,782,557	1,012,085	3,335,035	4,347,120
3,077,572	3,940,675	1,094,200	5,668,659	6,762,859
1,013,888	3,048,424	2,399,319	1,974,057	4,373,376
4,781,263	7,898,639	3,517,821	8,949,307	12,467,128
971,247	2,282,746	1,432,600	1,616,402	3,049,002
1,220,630	1,566,263	844,507	3,738,005	4,582,512
973,589	1,426,034	567,241	1,368,407	1,935,648
6,682,577	11,439,201	6,468,767	18,917,024	25,385,791
484,625	1,542,398	1,483,047	1,347,610	2,830,657
623,132	1,363,206	933,550	1,080,377	2,013,927
737,473	994,344	312,049	1,060,785	1,372,834
307,491,740	395,542,926	127,390,681	526,474,836	653,865,517

Table 4: Summary of PFY00 Uncompensated Care Pool Calculation

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care D	Cost-to- Charge Ratio E
Anna Jaques Hospital	\$ 51,597,541	2.681%	\$ 1,383,311	\$ 2,126,113	55.06%
Athol Memorial Hospital	7,768,115	2.681%	208,260	514,142	62.96%
Atlanticare Medical Center	44,625,575	2.681%	1,196,396	4,117,493	48.47%
Baystate Medical Center	292,484,115	2.681%	7,841,394	16,082,556	55.31%
Berkshire/Hillcrest	79,023,656	2.681%	2,118,596	5,887,026	60.04%
Beth Israel Deaconess Med Ctr	589,019,481	2.681%	15,791,400	31,165,899	53.92%
Boston Medical Center	158,956,327	2.681%	4,261,562	169,649,617	75.00%
Brigham & Women's Hospital	645,510,049	2.681%	17,305,892	32,120,465	40.03%
Brockton Hospital	74,292,697	2.681%	1,991,760	12,951,561	51.53%
Cambridge/Somerville Hospital	31,504,948	2.681%	844,636	101,777,056	79.27%
Cape Cod Hospital	80,076,452	2.681%	2,146,821	5,900,145	68.41%
Carney Hospital	36,360,073	2.681%	974,800	5,375,390	62.41%
Children's Hospital	400,814,940	2.681%	10,745,704	5,826,349	63.41%
Clinton Hospital	6,636,141	2.681%	177,913	1,362,285	49.30%
Cooley Dickinson Hospital	40,331,016	2.681%	1,081,260	2,569,169	59.31%
Dana-Farber Cancer Institute	136,015,775	2.681%	3,646,534	1,361,092	69.60%
Deaconess Glover Hospital	21,960,802	2.681%	588,761	286,156	42.37%
Emerson Hospital	139,921,411	2.681%	3,751,243	2,509,266	40.79%
Fairview Hospital	12,793,093	2.681%	342,978	979,942	53.20%
Falmouth Hospital	47,809,789	2.681%	1,281,763	1,977,949	58.69%
Faulkner Hospital	69,433,379	2.681%	1,861,484	3,042,454	48.22%
Franklin Medical Center	41,012,095	2.681%	1,099,519	3,292,009	52.88%
Good Samaritan Medical Center	65,408,684	2.681%	1,753,583	4,312,446	49.64%
Hahnemann Hospital, Inc.	7,914,133	2.681%	212,175	248,379	53.54%
Hale Hospital	25,957,085	2.681%	695,900	1,821,456	54.13%
Hallmark Health	141,367,875	2.681%	3,790,022	8,341,510	57.84%
Harrington Memorial Hospital	30,861,136	2.681%	827,376	1,806,384	62.32%
HealthAlliance	66,925,611	2.681%	1,794,252	2,783,862	51.24%
Henry Heywood Memorial Hosp.	43,008,514	2.681%	1,153,043	1,604,719	43.87%
Holy Family Hospital	80,979,658	2.681%	2,171,035	3,999,573	44.89%
Holyoke Hospital	41,884,975	2.681%	1,122,921	3,084,331	48.11%
Hubbard Regional Hospital	13,754,276	2.681%	368,747	1,141,445	49.68%
JB Thomas Hosp d/b/a THC Boston	2,667,353	2.681%	71,511	-	53.54%
Jordan Hospital	70,000,842	2.681%	1,876,697	2,489,711	48.53%
Lahey Clinic Hospital, Inc.	271,052,333	2.681%	7,266,815	2,274,731	53.85%
Lawrence General Hospital	57,062,854	2.681%	1,529,835	7,308,038	52.39%
Lowell General Hospital	96,416,747	2.681%	2,584,898	2,688,812	41.59%
Marlborough Hospital	33,767,075	2.681%	905,283	3,072,648	42.79%
Mary Lane Hospital	16,217,783	2.681%	434,793	1,245,642	50.34%
Mass. Eye & Ear Infirmary	67,847,624	2.681%	1,818,970	1,119,209	70.12%

Uncompensated Care Pool PFY00 Annual Report

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allow Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
\$ 1,170,638	\$	\$ 1,170,638	\$ 79,568	\$ 1,091,070	(\$ 292,242)
323,704	-	323,704	22,269	301,435	93,175
1,995,749	-	1,995,749	97,656	1,898,093	701,698
8,895,262	-	8,895,262	499,650	8,395,612	554,218
3,534,570	-	3,534,570	201,397	3,333,174	1,214,578
16,804,653	-	16,804,653	820,140	15,984,513	193,113
127,237,213	51,800,000	75,437,213	757,244	74,679,969	70,418,407
12,857,822	-	12,857,822	775,358	12,082,464	(5,223,428)
6,673,939	-	6,673,939	138,241	6,535,698	4,543,938
80,678,672	18,200,000	62,478,672	271,036	62,207,636	61,363,000
4,036,289	-	4,036,289	206,769	3,829,520	1,682,699
3,354,781	-	3,354,781	134,788	3,219,992	2,245,192
3,694,488	-	3,694,488	413,143	3,281,345	(7,464,359)
671,607	-	671,607	16,039	655,567	477,655
1,523,774	-	1,523,774	79,759	1,444,015	362,755
947,320	-	947,320	125,926	821,394	(2,825,140)
121,244	-	121,244	31,190	90,054	(498,707)
1,023,530	-	1,023,530	107,043	916,487	(2,834,756)
521,329	-	521,329	20,592	500,737	157,759
1,160,858	-	1,160,858	72,191	1,088,667	(193,096)
1,467,071	-	1,467,071	91,244	1,375,827	(485,656)
1,740,814	-	1,740,814	82,300	1,658,514	558,995
2,140,698	-	2,140,698	127,649	2,013,049	259,466
132,982	-	132,982	33,691	99,291	(112,884)
985,954	-	985,954	59,096	926,858	230,958
4,824,729	-	4,824,729	342,453	4,482,277	692,255
1,125,739	-	1,125,739	57,289	1,068,450	241,074
1,426,451	-	1,426,451	105,297	1,321,153	(473,098)
703,990	-	703,990	55,736	648,255	(504,788)
1,795,408	-	1,795,408	108,555	1,686,853	(484,183)
1,483,872	-	1,483,872	88,675	1,395,197	272,276
567,070	-	567,070	24,499	542,571	173,824
-	-	-	-	-	(71,511)
1,208,257	-	1,208,257	103,149	1,105,107	(771,590)
1,224,943	-	1,224,943	357,054	867,889	(6,398,926)
3,828,681	-	3,828,681	121,326	3,707,355	2,177,520
1,118,277	-	1,118,277	110,400	1,007,877	(1,577,022)
1,314,786	-	1,314,786	41,541	1,273,245	367,962
627,056	-	627,056	23,537	603,519	168,726
784,789	-	784,789	84,219	700,571	(1,118,400)

Table 4: Summary of PFY00 Uncompensated Care Pool Calculation

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care D	Cost-to-Charge Ratio E
Mass. General Hospital Corp.	\$ 791,424,992	2.681%	\$ 21,217,819	\$ 50,460,357	38.98%
Mercy Hospital	72,607,836	2.681%	1,946,590	6,141,870	43.66%
Metrowest Medical Center, Inc.	194,825,186	2.681%	5,223,193	9,217,176	39.40%
Milford-Whitinsville Hospital	84,338,499	2.681%	2,261,085	3,037,617	40.02%
Milton Hospital	27,825,257	2.681%	745,985	818,255	53.64%
Morton Hospital	92,373,781	2.681%	2,476,508	4,123,653	47.77%
Mount Auburn Hospital	117,577,491	2.681%	3,152,210	4,523,918	46.15%
Nantucket Cottage Hospital	8,505,131	2.681%	228,019	790,025	85.05%
Nashoba Community Hospital	19,472,646	2.681%	522,055	983,190	60.08%
New England Baptist Hospital	99,665,508	2.681%	2,671,996	234,703	49.60%
New England Medical Center	360,156,937	2.681%	9,655,678	15,295,845	42.54%
Newton-Wellesley Hospital	159,407,611	2.681%	4,273,661	1,721,691	48.47%
Noble Hospital	25,981,464	2.681%	696,554	1,331,465	48.89%
North Adams Regional Hosp.	20,028,057	2.681%	536,945	835,113	55.63%
Northeast Hospital Corporation	120,941,791	2.681%	3,242,406	7,933,095	50.79%
Norwood Hospital	82,359,532	2.681%	2,208,029	2,819,563	61.15%
Quincy Hospital	42,060,808	2.681%	1,127,635	3,788,893	58.45%
Saint Vincent Hospital	142,634,910	2.681%	3,823,991	10,471,204	47.99%
Saints Memorial	59,381,192	2.681%	1,591,988	4,347,120	41.94%
Salem Hospital	98,915,615	2.681%	2,651,892	6,762,859	58.31%
South Shore Hospital, Inc.	149,466,276	2.681%	4,007,137	4,373,376	59.14%
Southcoast	194,163,304	2.681%	5,205,448	12,467,128	56.17%
St. Anne's Hospital	48,467,224	2.681%	1,299,389	3,049,002	44.08%
St. Elizabeth's Hospital	112,742,973	2.681%	3,022,598	4,582,512	48.27%
Sturdy Memorial Hospital	64,094,606	2.681%	1,718,353	1,935,648	55.38%
UMass Memorial	480,671,811	2.681%	12,886,638	25,385,791	52.56%
Waltham/Weston Hospital	53,466,506	2.681%	1,433,418	2,830,657	48.12%
Winchester Hospital	139,304,262	2.681%	3,734,697	2,013,927	48.57%
Wing Memorial Hospital	15,600,296	2.681%	418,238	1,372,834	67.67%
Totals	8,019,503,530	2.681%	215,000,000	653,865,517	

Notes:

1. Private Sector Charges and Free Care data are based on uncompensated care claims data reported by the hospitals for October 1999 through September 2000.
2. Cost to Charge Ratios are from the Preliminary Settlement PFY00 calculation.
3. All data are unaudited and subject to change with future updates and calculations.

Uncompensated Care Pool PFY00 Annual Report

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allow Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
\$ 19,669,447	-	\$ 19,669,447	\$ 901,703	\$ 18,767,744	(\$ 2,450,075)
2,681,540	-	2,681,540	169,426	2,512,114	565,524
3,631,567	-	3,631,567	211,231	3,420,336	(1,802,857)
1,215,654	-	1,215,654	85,918	1,129,736	(1,131,348)
438,912	-	438,912	56,297	382,615	(363,370)
1,969,869	-	1,969,869	106,651	1,863,218	(613,290)
2,087,788	-	2,087,788	172,324	1,915,465	(1,236,746)
671,916	-	671,916	15,234	656,682	428,663
590,701	-	590,701	34,604	556,096	34,042
116,413	-	116,413	116,413	-	(2,671,996)
6,506,852	-	6,506,852	446,388	6,060,465	(3,595,213)
834,504	-	834,504	213,148	621,355	(3,652,305)
650,953	-	650,953	43,113	607,840	(88,714)
464,573	-	464,573	50,266	414,307	(122,638)
4,029,219	-	4,029,219	183,217	3,846,002	603,596
1,724,163	-	1,724,163	110,115	1,614,048	(593,981)
2,214,608	-	2,214,608	121,905	2,092,703	965,068
5,025,131	-	5,025,131	202,868	4,822,262	998,272
1,823,182	-	1,823,182	114,877	1,708,305	116,316
3,943,423	-	3,943,423	197,780	3,745,643	1,093,751
2,586,415	-	2,586,415	243,103	2,343,312	(1,663,825)
7,002,786	-	7,002,786	444,078	6,558,707	1,353,259
1,344,000	-	1,344,000	89,859	1,254,141	(45,248)
2,211,979	-	2,211,979	280,210	1,931,769	(1,090,830)
1,071,962	-	1,071,962	82,542	989,420	(728,933)
13,342,772	-	13,342,772	706,364	12,636,408	(250,230)
1,362,112	-	1,362,112	86,987	1,275,125	(158,293)
978,164	-	978,164	132,577	845,588	(2,889,109)
928,997	-	928,997	41,704	887,293	469,054
396,848,612	70,000,000	326,848,612	12,548,612	314,300,000	99,300,000

Table 5: Community Health Center Payments for Uncompensated Care Pool Fiscal Years 1999 and 2000

Community Health Center	PFY99	PFY00	Difference	% Change
Boston Health Care for the Homeless	\$ 47,306	\$ 227,452	\$ 180,146	380.81%
Brockton Neighborhood Health Center	790,138	728,919	-61,219	-7.75%
Dimock Community Developmental Service Center	102,752	212,754	110,002	107.06%
Family Health and Social Service Center	767,942	782,564	14,622	1.90%
Fenway Community Health Center	67,810	110,716	42,906	63.27%
Geiger-Gibson Health Center	376,675	395,084	18,409	4.89%
Great Brook Valley Health Center	1,047,527	1,808,275	760,748	72.62%
Greater Lawrence Health Center	1,001,016	1,171,410	170,394	17.02%
Greater New Bedford Community Health Center	1,018,567	936,572	-81,995	-8.05%
Harvard St. Neighborhood Health Center	1,181,811	919,353	-262,458	-22.21%
Health First Family Care Center, Inc.	379,905	247,332	-132,573	-34.90%
Hilltown Community Health Center	97,071	153,663	56,592	58.30%
Holyoke Health Center	293,264	353,977	60,713	20.70%
Joseph Smith Community Health Center	618,089	733,277	115,188	18.64%
Justice Resource Institute	8,503	8,621	118	1.39%
Lowell Community Health Center	504,303	531,706	27,403	5.43%
Lynn Community Health Center	578,135	738,255	160,120	27.70%
Manet Community Health Center	624,366	605,148	-19,218	-3.08%
Mattapan Community Health Center	940,110	885,114	-54,996	-5.85%
Neponset Health Center	486,764	512,160	25,396	5.22%
North End Community Health Center	157,605	136,250	-21,355	-13.55%
North Shore Community Health Center	280,361	353,270	72,909	26.01%
O'Neill Health Clinic, Inc.	0	9,634	9,634	
Outer Cape Health Services, Inc.	349,158	324,464	-24,694	-7.07%
Roxbury Comprehensive Community Health Center	701,255	722,212	20,957	2.99%
South Cove Community Health Center	635,547	610,906	-24,641	-3.88%
South End Community Health Center	345,970	214,129	-131,841	-38.11%
Springfield Southwest Community Health Center	331,810	339,974	8,164	2.46%
Stanley St. Treatment and Resource Center	139,223	112,315	-26,908	-19.33%
Uphams Corner Community Health Center	278,662	436,336	157,674	56.58%
Whittier St. Neighborhood Health Center	339,959	414,156	74,197	21.83%
TOTAL	\$14,491,604	\$15,735,998	\$1,244,394	8.59%

gency bad debt. These data are reported for both inpatient and outpatient uncompensated care services. Partial free care and medical hardship together make up approximately 1.5% of the Pool, and are included in Table 3 (on pages 10-13) under “free care.”

PFY00 Uncompensated Care Pool Calculation

As shown in Table 4 (on pages 14-17), each hospital’s annual gross liability to the Pool (column C) is based on its private sector charges (column A), which it reports to the Division. Because each hospital’s liability is based on its private sector charges, hospitals that treat more private patients make larger payments to the Pool. Each month, the Division calculates a uniform percentage sufficient to generate \$215 million in annual Pool funding. This percentage is currently 2.681% (column B).

Each hospital is paid for its uncompensated care based on its reasonable costs and the availability of funding. Hospitals report their free care charges to the Division (column D). The Division adjusts the free care charges using the ratio of each hospital’s reasonable costs to charges (column E), calculated by the Division based on each hospital’s mark-up of charges over costs and its efficiency relative to other hospitals. The result of this adjustment is the hospital’s allowable free care costs (column F).

Hospitals that receive payments for free care through an intergovernmental funds

transfer (IGT) (column G) use those funds before accessing the Pool to cover any remaining free care costs (column H). When there is a shortfall (when there is insufficient funding in the Pool to pay providers for the uncompensated care they provide), the shortfall is allocated so that hospitals with a greater proportional requirement for Pool funds receive a greater proportional share of Pool payments (column I). The shortfall allocation is applied to the provider’s allowable free care costs to calculate the hospital’s annual gross liability from the Pool (column J). This table shows a PFY00 shortfall that is expected to be reduced at preliminary settlement.

Finally, for informational purposes, Table 4 includes each hospital’s net annual liability to or from the Pool, calculated by subtracting the hospital’s gross liability to the Pool from its gross liability from the Pool (column K). However, hospitals make and receive payments based on the gross amounts.

Community Health Center Payments for Uncompensated Care PFY99 and PFY00

Community health centers are paid by the Pool for the free care services they provide according to the center’s 1995 Federally Qualified Health Center (FQHC) rate, or, in the case of a non-FQHC approved health center, a rate based upon a substitute annual cost report in the same format (see Table 5 on page 18).

Section 5:

Demonstration Projects

The Massachusetts Fishermen's Partnership, Inc.

The Fishing Partnership Health Plan (FPHP) offers fisherman and their families the opportunity to purchase health insurance at a reduced rate, made possible through subsidized premiums provided by state and federal appropriations. The FPHP contracts with Tufts Health Plan and offers fishermen and their families a comprehensive benefit package that includes access to Tufts' network of providers, mental health services, and pharmacy coverage. All fishermen, regardless of health status or current insurance coverage, may enroll in the plan. Those who cannot afford the monthly premium—which ranged from \$120 to \$645 during PFY00—are referred to MassHealth. Over 1,200 fishermen and their family members are currently enrolled.

The FPHP is a freestanding trust fund that operates separately from the two primary sponsoring organizations: Caritas Christi Health Care System and the Massachusetts Fishermen's Partnership, Inc. It is funded by the U.S. Department of Commerce and \$2 million of Pool funds for each of five years, and bears all financial risk for the program.

Congestive Heart Failure

Congestive heart failure (CHF) adversely affects the quality of life of many uninsured individuals and results in high per-person costs billed to the Pool. Many of the associated hospitalizations (and therefore, costs) are preventable with appropriate ambulatory care. The four program sites—Baystate Medical Center, Boston Medical Center, Brigham and Women's Hospital,

Chapter 47 authorized the Division to allocate up to \$10 million of Pool funds per fiscal year for demonstration projects designed to demonstrate alternative approaches to improve health care and reduce costs for the uninsured and underinsured. Chapter 47 designated specific funds for three programs: the Ecu-Health Care project, the Hampshire Health Access project, and the Massachusetts Fishermen's Partnership, Inc. The Division funded 11 additional demonstrations in PFY00. Table 6 on page 22 shows the disbursement of Pool funds to these projects.

Ecu-Health Care, Inc. and Hampshire Health Access

The Division of Health Care Finance and Policy provides \$40,000 annually in Uncompensated Care Pool funds to the Ecu-Health Care project in North Adams and to the Hampshire Health Access project in Northampton. These programs help link local residents to affordable and accessible health care by assessing their eligibility for state programs such as MassHealth and the Children's Medical Security Plan (CMSP). If applicants are not eligible for a state program, they are referred to local physicians who have agreed to treat patients at a reduced or no charge.

Table 6: PFY00 Pool Payments to Demonstration Projects

	PFY00 Budget Projection	PFY00 Amounts Incurred
Mandated Projects		
Ecu-Health Care, Inc.	\$40,000	\$40,000
Hampshire Community Action Commission	\$40,000	\$40,000
Fishing Partnership Health Plan Corporation	\$2,000,000	\$2,000,000
Congestive Heart Failure Projects		
Baystate Medical Center	\$300,000	\$244,757
Boston Medical Center	\$300,000	\$278,223
Brigham & Women's Hospital	\$150,000	\$81,492
Cambridge Health Alliance	\$299,829	\$281,230
Demonstrations for Underinsured and Uninsured Individuals		
Boston Health Care for the Homeless	\$371,571	\$330,266
Boston Public Health Commission	\$364,857	\$260,956
Falmouth Free Clinic	\$128,443	\$137,327
Family Health Center	\$328,017	\$16,973
Great Brook Valley Health Center	\$393,630	\$332,488
Lynn Community Health Center	\$261,932	\$180,419
South Cove Community Health Center	\$116,662	\$80,475
Total	\$5,094,941	\$4,304,606

and Cambridge Health Alliance—are in their third year. To date, the Division has awarded about \$2 million to fund these demonstrations, and about 200 patients have participated. The goals of these programs are to reduce CHF-related hospitalizations, reduce the need for frequent urgent care visits, and improve patient care. The programs focus on active case management of patients, including weight monitoring, counseling in nutrition and diet, and providing a reliable source of medications.

Demonstration Projects for Improving Care and Reducing Costs for Uninsured Individuals

In the Fall of 1999, the Division began funding seven programs developed to achieve at least one of three related goals: reduce preventable hospitalizations by providing primary care for patients with ambulatory care sensitive conditions; improve coordination of care for patients with multiple or chronic conditions; and provide

services in a more efficient or appropriate manner. The programs employ strategies and protocols tailored to the unique characteristics of the uninsured. Program activities include efforts to modify patients' behaviors so they can better manage their diseases, provision of pharmaceuticals, and coordinating care among health care providers.

***Boston Health Care
for the Homeless Program***

This program targets some of Boston's most vulnerable: homeless individuals with chronic illnesses or urgent health care needs.

Boston Public Health Commission

Boston's Public Health agency is working with three affiliated programs and targeting selected uninsured individuals in an effort to improve health outcomes and increase participation in various health programs.

Falmouth Free Clinic

Most of the clinical staff for this demonstration is volunteer. They offer mental health and primary care services to uninsured individuals in the Falmouth area. The clinic has developed a formulary comprising low-cost available medications for prevalent chronic diseases.

Family Health Center

Family Health Center's disease- and case-management program began its pro-

gram in September of 2000. The program had no enrollees in PFY00.

***Great Brook Valley
Community Health Center***

Great Brook Valley Community Health Center is using demonstration funds to continue its asthma and diabetes case management programs. Staff members are also case managing individuals diagnosed with other chronic illnesses such as hypertension and congestive heart failure.

Lynn Community Health Center

Lynn's pharmacy demonstration works with a neighborhood pharmacy, with the Public Health Service's drug purchasing program, and with free samples provided by drug companies to provide prescription medications to individuals who otherwise have no access to them. The project had approximately 1600 active participants as of January 2001.

South Cove Community Health Center

The Chinatown-based South Cove Community Health Center primarily serves Asians who live in the community. The demonstration program offers health education workshops, and makes use of translators to help uninsured individuals obtain access to needed care and to negotiate the health care system, which may be very different than the systems in their countries of origin.

Section 6:

PFY00 Pool Status

The Division of Health Care Finance and Policy projects free care costs and Uncompensated Care Pool shortfalls or surpluses on a regular basis. Table 7 on page 26 shows the sources and uses of funds for uncompensated care for PFY99 and the final surplus, and the Division's projections for PFY00 and PFY01.

Projecting Free Care Costs

Projecting free care costs is extremely difficult because of the many factors that can affect final amounts. These factors are discussed below.

First, the Pool is the payer of last resort. The Pool pays for any medically necessary service provided by an acute hospital or community health center to a low-income uninsured or underinsured person that is not covered by another payer. Therefore, if there are any changes in enrollment or services covered by any other public or private payer, the changes will affect the

Pool. Changes in other programs, such as MassHealth, often are not announced publicly until after they have taken effect, and even then, it is very difficult to quantify the direct impact that the change will have on the Pool.

Second, because most private insurance is accessed through employment, changes in employment levels, types of employees hired (full-time versus contracted or part-time), and/or the level of benefits offered will affect the Pool.

Third, the Pool is required by law to pay providers on a fee-for-service basis. If the amount a provider bills to the Pool increases by 50% in a particular month, the Pool must reimburse the hospital for the increased amount. A provider may bill higher amounts for many reasons: expanded services, increased volume, an epidemic, installation of a new billing system, and so on.

Finally, the Pool is not a program, and it does not enroll members. The Division cannot project costs based on enrollment per member per month (PMPM) multiplied by cost per member per month as health plans do. Because people generally apply for free care after they have received a service, the Pool cannot implement pre-admission certifications and other methods of utilization review. As a result, the Division does not get advance warning of high-cost procedures being billed to the Pool.

**Table 7: Uncompensated Care: Sources and Uses of Funds
(in millions)**

Sources of Funds	PFY98*	PFY99*	PFY00**	PFY01**
Uncompensated Care Pool				
Hospital Assessment	\$215.0	\$215.0	\$215.0	\$215.0
Surcharge on Payments to Hospitals	100.0	100.0	100.0	100.0
State Appropriation	30.0	30.0	30.0	30.0
Total Uncompensated Care Pool	345.0	345.0	345.0	345.0
Other Funds				
Intergovernmental Transfer (IGT)	70.0	70.0	70.0	70.0
c.495 §56 Compliance Liability Funds	4.0	-	15.0	1.1
Prior Fiscal Year Surplus Transfer	-	-	9.0	2.0
Transfer from Medical Security Trust Fund			15.0	10.0
Total Uncompensated Care Funds Available	419.0	415.0	454.0	428.1
Uses of Funds				
Payments				
Hospital Free Care Costs	390.0	381.9	395.7	411.3
Community Health Center Free Care Costs	16.5	14.5	15.8	16.1
Demonstration Projects	3.0	3.3	5.2	9.0
Transfer to Children's & Seniors'				
Health Care Assistance Fund	-	11.8	46.3	57.8
Audit Adjustments			-3.9	-4.2
Reserves				
Doubtful Accounts - Hospitals	-	-		1.0
Doubtful Accounts - Surcharge Payers	-	-		0.3
Data Collection	-	3.0	2.0	2.8
Surcharge Expenses	-	-	-	
Other Reserves	0.5	-	-	
Total Uses of Funds	410.0	414.5	461.1	494.1
(Shortfall) / Surplus	9.0	0.6	(7.1)	(66.0)

* PFY98 and PFY99 data is as of Preliminary Settlement.

** This is a projection. The final shortfall/surplus estimate can be higher or lower by up to 5%, depending upon the assumptions.

Section 7:

Pool Settlements

The Uncompensated Care Pool makes monthly payments to hospitals and hospitals make monthly payments to the Pool on an estimated basis. The Division of Health Care Finance and Policy calculates the payment amounts based on a rolling average of each hospital's most recently reported 12 months of free care and private sector charges, adjusted for industry trends.

Settlement Process

As required by M.G.L. c.118G, §18(h), the Division calculates the final payment amounts to and from the Pool after all hospitals' final audited Pool year data are available. The final payments made based on this final calculation are referred to as the final settlement of the Pool year.

At final settlement, a hospital pays the Pool or the Pool pays the hospital the difference between amounts that were paid previously and the actual amount that should have been paid based on final data. Factors that would cause the final payment to differ from the initial estimated payment include a change in the amount of free care provided by the particular hospital or by all hospitals statewide, a change in the hospital's mark-up of charges over costs, a change in the hospital's overall payer mix, audit

adjustments, and a change in the total funding available for uncompensated care statewide.

Final settlements cannot be completed until final audited free care charges, private sector charges, total charges, and total patient care costs are available for all hospitals. It often takes several years to resolve all outstanding audit issues for all hospitals, and as a result final settlements are often delayed.

In order to ensure that as little money as possible is held up until final settlement, the Division of Health Care Finance and Policy also conducts preliminary settlements. The Division conducts a preliminary settlement as soon as 12 full months of free care charges and private sector charges are available for the Pool year, as well as an updated cost to charge ratio. Conducting preliminary settlements helps prevent the need to transfer large unexpected dollar amounts upon final settlement.

Update

At the time that the administration of the Pool was transferred to the Division, final settlements with hospitals for payments to and from the Pool were behind schedule. The Division has since succeeded in settling Pool years 1990 through 1997. Preliminary settlements with hospitals are up to date, and the Division expects to final settle Pool years 1998 and 1999 by the end of this Pool year. The Division interacts with hospitals and community health centers on a regular basis throughout the year to monitor free care charges and costs, which makes the settlement process more efficient. Final settlements with community health centers are not required.

Table 8: Uncompensated Care Pool Settlements

Pool Fiscal Year	Settlement Status	Hospital Assessment Funding	Surcharge Funding	State Funding	Additional Funding**	IGT	Children's & Seniors' Fund
2001	Jun '01 Calculation*	215,000,000	100,000,000	30,000,000	13,100,000	70,000,000	57,750,000
2000	Preliminary*	215,000,000	100,000,000	30,000,000	39,000,000	70,000,000	46,250,000
1999	Preliminary*	215,000,000	100,000,000	30,000,000		70,000,000	11,750,000
1998	Proposed Final*	215,000,000	100,000,000	30,000,000	(5,000,000)	70,000,000	
1997	FINAL	315,000,000		15,000,000	12,500,000	17,500,000	
1996	FINAL	315,000,000		15,000,000			
1995	FINAL	315,000,000		15,000,000			
1994	FINAL	315,000,000		15,000,000			
1993	FINAL	315,000,000		15,000,000			
1992	FINAL	300,000,000		35,000,000			
1991	FINAL	312,000,000		-			
1990	FINAL	312,000,000		-			

* Amounts subject to change at Final and/or Preliminary Settlement.

** Additional Funding includes amounts transferred from the St.1991, C.495, S.56 Compliance Liability Fund and from the Medical Security Trust Fund, as well as surpluses brought forward from prior years.

*** Reserves and Expenses includes funds for demonstration projects, data collection system development, audits, and other administrative expenses. PFY01 and PFY00 Reserves and Expenses represent the amounts that are expected to be expended from those Pool Years' funds.

Table 8 above illustrates the history and status of Pool settlements for the Division. The table identifies all Pool funding sources for each year as well as Pool expenses for that year, including transfers to the Children's and Seniors' Health Care Assistance Fund, payments to community health centers, and the resulting balance available to pay hospitals. Payments for the Division's demonstration programs are included in Reserves and Expenses, along with other expenses related to administering the Pool.

The shortfall amount is the amount by which allowable uncompensated care costs incurred by hospitals exceed the available

Pool funds. Health care reform initiatives and the strong economy are responsible for the elimination of the shortfall for Pool years 1998 and 1999. Projections for Pool years 2000 and 2001 demonstrate the recurrence of shortfalls.

The percent recognized is the percent of hospitals' allowable free care costs that were paid by the Pool that year. The last column indicates the steadily decreasing percentage of the uniform assessment on hospitals' private sector charges, which generates each hospital's liability to the Pool (for additional information, please see the explanation of Table 3 on pages 10-13).

Reserves and Expenses***	Community Health Center Payments	Balance Payable to Hospitals	Allowable UC Costs	Surplus/ (Shortfall)	Percent Recognized	Hospital Uniform Assessment
15,000,000	16,500,000	338,850,000	397,189,581	(58,339,581)	85%	2.52%
7,700,000	15,750,000	384,300,000	396,848,612	(12,548,612)	97%	2.68%
4,000,000	14,491,604	384,758,396	381,874,175	2,884,221	100%	3.07%
2,543,188	16,026,457	391,430,355	388,855,240	2,575,115	100%	3.52%
-	16,031,038	343,968,962	448,459,137	(104,490,175)	77%	5.74%
1,284,269	15,168,235	313,547,496	467,290,626	(153,743,130)	67%	6.00%
4,065,970	12,996,321	312,937,709	446,123,716	(133,186,007)	70%	6.54%
5,752,348	10,174,420	314,073,232	422,996,582	(108,923,350)	74%	6.89%
741,639	7,660,677	321,597,684	391,636,164	(70,038,480)	82%	6.93%
3,347,273	4,377,067	327,275,660	340,323,322	(13,047,662)	96%	8.51%
1,221,000		310,779,000	442,492,755	(131,713,755)	70%	9.86%
630,152		311,369,848	411,641,176	(100,271,328)	76%	10.18%

Section 8:

Pool Management Initiatives

The Division of Health Care Finance and Policy has undertaken a number of initiatives to improve the efficiency and effectiveness of Uncompensated Care Pool operations. This section provides an update on these initiatives.

Eligibility

Since October 1998, providers have used a streamlined and clarified eligibility determination process along with standard application forms for free care and medical hardship assistance. All applicants for free care are asked a set of questions that indicate possible eligibility for other assistance programs, such as MassHealth, and providers are required to assist applicants in applying for these programs. The free care application forms are available in English, Spanish, Portuguese, Haitian Creole, Chinese, Vietnamese, and Khmer, and are located on Division's web site for easy download.

The Division of Health Care Finance and Policy has continued its free care application training program for providers, holding training sessions in numerous locations: at the Division, on-site at provider locations, and at regional public health offices. The purpose of these sessions has been to teach providers about the free care eligibility determination process, the Division's

screening requirements, and how to use the free care application forms.

The Division updated *The Free Care Application: A Guide for Acute Hospitals and Community Health Centers*, which was distributed to all free care providers and also posted on the Division's web site for download. The free care help line continues to receive about sixty calls per week, of which about two-thirds are from provider staff and about one-third from individuals applying for free care.

The Division also continues to publish its quarterly newsletter, *Free Care Notes*. In PFY00, the Division received 83 grievances, of which over half were resolved in favor of the hospital. The remainder were resolved in favor of the applicant.

Program Catalog

In May 2000, the Division published *Access to Health Care in Massachusetts: A Catalog of Health Care Programs for Uninsured and Underinsured Individuals*, which contains information on over 75 programs of health coverage for low-income persons, including programs sponsored by public and private organizations. This catalog is intended as a tool to assist hospital and community health center staff in their screening efforts, in order that they may be able to direct patients to other more organized and comprehensive sources of coverage besides free care.

Copies of the catalog were distributed to all hospitals and community health centers, along with many other interested organizations. Response to this publication has been extremely positive, and the Division of Health Care Finance and Policy is updating the catalog for 2001.

Data Collection

The Division of Health Care Finance and Policy is collecting patient level data on individuals who access health care through the Uncompensated Care Pool. The Division developed software to collect and analyze these data and trained providers on its use. Hospitals and community health centers are required to submit free care application and medical claims data to the Division according to Division specifications that are defined in regulation.

All hospitals and community health centers use the Division's free care application software to verify free care eligibility and submit eligibility information to the Division. The Division is in the initial stages of analyzing information collected thus far from nearly 150,000 free care applications (see Table 9 below).

Current analyses focus on understanding the demographic characteristics of the

people who access health care through the Pool and cross-referencing for eligibility in other public assistance programs. Preliminary data indicate that the average family income for free care applicants is approximately \$9,900 per year, and the average family size is approximately 1.5.

Fifty-five percent of free care applicants are female, and 45% are male. Eleven percent of applicants are aged 18 or under, 38% are from 19-35 years old, 40% are aged 36-64, and 10% are 65 and over. Seventy-five percent of free care applications submitted to the Division include Social Security numbers.

In addition, nearly 91% of free care applicants qualify for full free care, with 9% qualifying for partial free care, and the remainder are denied. The Division has not yet received any applications for medical hardship electronically. These data are only preliminary because most providers are not yet submitting 100% of applications elec-

Table 9: Free Care Applications Collected as of June 22, 2001

Applications Collected	Hospitals 118,606	CHCs 28,925	Total 147,531
Gender			
Female Applicants	54.2%	57.0%	54.7%
Male Applicants	45.5%	42.7%	44.9%
Age			
18 and Under	10.6%	15.0%	11.5%
19-35	37.9%	39.0%	38.1%
36-64	40.2%	37.0%	39.5%
65 and Over	11.1%	4.0%	9.7%
Family Information			
Average Family Income	\$9,867	\$9,962	\$9,886
Average Family Size	1.53	1.59	1.54

tronically. Results from complete data may differ.

During PFY00, the Division also conducted preliminary wage match verifications with the Department of Revenue. In the coming year, the Division will work with DOR to refine wage match results and reporting.

In PFY00, hospitals worked to modify their billing systems to submit UB92 claims to the Division for all free care that is billed to the Pool. During the year, the Division spent considerable time working with hospitals to define claim specifications and requirements. Claims data will be collected and analyzed beginning in PFY01.

The Division of Health Care Finance and Policy has strict data confidentiality policies that prohibit the release of patient specific information.

Pool Services

The Division is currently conducting a detailed analysis of the Pool's role as a safety net, a review of the services paid for by the Pool and other private and public health insurance programs, and an analysis of how the Pool intersects with other programs and the implications for Pool policy. This project also involves an evaluation of how hospitals and community health centers determine what services they bill to the Pool.

As part of this evaluation, the Division has also agreed to participate in a pilot program run by Harbor Health, Inc., that has been developed to address the extreme difficulty that low-income people have in accessing dental services on the Lower/Outer Cape and Martha's Vineyard. This pilot program began in June 2000.

Section 9: Conclusion

Calculations contained in this report are based upon the most recently available data from the Division of Health Care Finance and Policy. If you have any questions about the data or calculations,

or need additional information, please contact the Division. Any comments about the usefulness of this report and suggestions for improvement are welcome. Please direct all comments to:

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